



# U.S. SMALL BUSINESS ADMINISTRATION

## SUPPLEMENTAL GUARANTY AGREEMENT PREFERRED LENDERS PROGRAM (PLP)

Agreement made the \_\_\_\_\_ day of \_\_\_\_\_ by and between \_\_\_\_\_ (Lender) and the **Small Business Administration (SBA)**, an agency of the United States Government.

Whereas, this is a Supplemental Guaranty Agreement to the Loan Guaranty Agreement (SBA Form 750, dated \_\_\_\_\_) between the parties hereto, dated \_\_\_\_\_, all the provisions of said Form 750 Agreement are applicable to Preferred Lenders Program (PLP) loans to small business concerns made hereunder, except as modified or changed herein.

Whereas, the parties intend under this Supplemental Agreement for the Lender to perform the processing and most of the servicing and liquidating tasks associated with loans guaranteed under the Preferred Lenders Program;

The parties agree as follows:

1. Lender will be permitted to issue an SBA guaranty for any loan approved under PLP procedures and which meets the requirements and standards for PLP loans. Such loans are subject to PLP Rules and Regulations, as promulgated from time to time. Lender shall have the authority to issue the loan guaranty agreement and other loan approval forms as may be necessary in order to permit a small business to receive an SBA guaranteed loan from the Lender.
2. The Lender shall use SBA Form 4 ("Application for Business Loan"), SBA Form 4-I ("Lender's Application for Guaranty or Participation"), as the data collection documents and loan officer report documents for loans approved under PLP. Forms have been approved under OMB Number 3245-0016. Copies of these documents will be forwarded to SBA's PLP Loan Processing Center immediately upon loan approval. SBA will endeavor to provide a loan number within one working day of receipt of the documents.
3. Lender assumes responsibility for the completeness of the "Application For Business Loan" of the borrower and the "Lender's Application For Guaranty Or Participation".
4. Approval of a loan under PLP procedures shall constitute certification by the Lender, to the best of its professional knowledge and judgment at the time of loan approval, and in accordance with standard and prudent lending practices, that:

- (a) The partners, principal owners, officers, and management of the Applicant are of good character;
- (b) There is reasonable assurance of repayment by the borrower according to the terms determined by the Lender;
- (c) Without the guaranty of SBA, the PLP loan funds would not be otherwise available on reasonable terms to the Applicant, or from the personal resources of the principal owner(s) of the Applicant;
- (d) Where the PLP loan or any portion thereof will be used to repay or refinance any debt owed by the Applicant, the Lender certifies that its exposure in the particular borrower after the PLP loan is made will be equal to or greater than its exposure prior to the PLP loan.
- (e) The Lender is not and will not be in a superior lien position on any collateral securing a PLP loan, unless the application file contains an explanation leading to the necessity of the subordinated lien position and a complete description of the lien positions as a result of the subordination.

5. Lender agrees that it will not approve any loan applications on which the Applicant has noted any outstanding SBA loans (guaranteed or otherwise), unless the outstanding SBA loan is current at the time of approval of the new SBA loan, the Lender does not possess any information that could indicate impending default, and the Applicant's tangible net worth at the time of approval of the new loan is not less than at the time of approval of the existing loan.

6. Lender shall service SBA loans in accordance with the provisions of Section 120.404 of the PLP regulations. Preferred Lenders will be permitted to perform any servicing action on any SBA loan in its portfolio that does not confer a preference on the Lender except that the Lender may not unilaterally compromise or sell a debt for less than the amount owed.

7. Lender agrees to liquidate all SBA loans in its portfolio unless written instructions to the contrary are received from SBA. Liquidations will be conducted in a commercially reasonable manner. Lender may request purchase of a defaulted loan in the same manner as in the Regular 7(a) and Certified Lenders Programs.

8. Lender hereby authorizes SBA to make periodic reviews and audits of, including making copies of and extracts from, all files, records, papers, or other information relating to loans made under the Preferred Lenders Program. Lender hereby authorizes all Federal, State and municipal authorities to furnish reports of examination, records and other information relating to the condition and affairs of the Lender and any desired information from reports, returns, files, and records of such authorities upon request by SBA.

9. The SBA guaranty shall commence immediately upon first disbursement by the Lender. After that time, denial of liability on the guaranty shall take place only upon the determination that the Lender is guilty of negligence, misconduct, violation of any provision of this Agreement, the "Loan Guaranty Agreement" (SBA Form 750), or of the Rules and Regulations.

10. Any loan approved under PLP procedures in excess of the Lender's budgetary Line of Authority will not be guaranteed by SBA. If such a situation arises, the Lender may submit the application to SBA, under Regular 7(a) procedures. SBA will examine the application, determine the reason for exceeding available guaranty authority, and decide whether SBA will issue a guaranty for the loan.

11. Lender agrees that it will make at least two loan officers available for at least two days per year for training.

12. The revocation provision of 13 C.F.R. Section 120.406 shall apply to this agreement, but in no event shall this agreement be effective longer than **two years** from the date hereof, unless both parties agree in writing to a renewal prior to the expiration of such agreement. In addition, either party may terminate this agreement without cause upon not less than ten business days written notice by certified mail to the other party. Termination shall not affect the guaranty of any loan approved by the Lender under the Preferred Lenders Program.

Note: The provisions of SBA's Standard Operating Procedures (SOP) 50-61-1, and The Information Book of the Preferred Lender Program are an integral part of this contract. Lender should understand the "Information Book" prior to signing this document.

IN WITNESS WHEREOF, Lender and SBA have caused this agreement to be duly executed the date first above written.

\_\_\_\_\_  
*INSTITUTION*

\_\_\_\_\_  
*ADDRESS*

\_\_\_\_\_  
*SIGNATURE*

\_\_\_\_\_  
*TYPED NAME*

\_\_\_\_\_  
*TITLE*

U.S. Small Business Administration  
Associate Administrator for  
Financial Assistance: James E. Rivera

By: \_\_\_\_\_  
Richard Taylor, Center Director